

House File 618 - Introduced

HOUSE FILE 618

BY GOBBLE

A BILL FOR

1 An Act providing an exemption from the computation of net
2 income for individual and corporate income taxes of certain
3 wages paid by an employer to an employee while on parental
4 leave, and including applicability provisions.

5 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

1 Section 1. Section 422.7, Code 2021, is amended by adding
2 the following new subsection:

3 NEW SUBSECTION. 63. *a.* Subtract, to the extent included,
4 an amount equal to twenty percent of wages paid to an employee
5 by an employer while the employee is on parental leave
6 described in 5 U.S.C. §6382(a)(1)(A) and (B), not to exceed
7 twelve weeks of such pay, excluding wages paid during leave
8 classified as vacation, personal, medical, or sick.

9 *b.* A taxpayer who is a partner of a partnership or a
10 shareholder of a subchapter S corporation may exempt that
11 portion of wages qualified under this subsection paid by the
12 partnership or subchapter S corporation based on the taxpayer's
13 pro rata share of the profits or losses from the partnership or
14 subchapter S corporation.

15 Sec. 2. Section 422.35, Code 2021, is amended by adding the
16 following new subsection:

17 NEW SUBSECTION. 31. Subtract, to the extent included, an
18 amount equal to twenty percent of wages paid to an employee by
19 an employer while the employee is on parental leave described
20 in 5 U.S.C. §6382(a)(1)(A) and (B), not to exceed twelve weeks
21 of such pay, excluding wages paid during leave classified as
22 vacation, personal, medical, or sick.

23 Sec. 3. APPLICABILITY. This Act applies to tax years
24 beginning on or after January 1, 2022.

25 EXPLANATION

26 The inclusion of this explanation does not constitute agreement with
27 the explanation's substance by the members of the general assembly.

28 This bill provides an exemption from the computation of net
29 income for individual and corporate income taxes of certain
30 wages paid by an employer to an employee while on parental
31 leave.

32 Under the bill, an employer may exempt from the calculation
33 of net income for individual or corporate income tax, as
34 applicable, 20 percent of wages paid to an employee while the
35 employee is on parental leave, not to exceed 12 weeks of such

1 pay, if the parental leave is for the birth of a child, or for
2 the placement of a child with the employee due to adoption
3 or foster care. The bill excludes from the exemption wages
4 paid during leave that are classified as vacation, personal,
5 medical, or sick.

6 For purposes of the individual income tax, a taxpayer who is
7 a partner of a partnership or a shareholder of a subchapter S
8 corporation may exempt that portion of wages qualified under
9 the bill paid by the partnership or subchapter S corporation
10 based on the taxpayer's pro rata share of the profits or losses
11 from the partnership or subchapter S corporation.

12 The bill applies to tax years beginning on or after January
13 1, 2022.